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BUSINESS

American Retailers Squeeze Chinese Suppliers as Tariffs Start to Hurt

Walmart, Amazon among those looking for ways to combat tariffs and hope for a trade truce



The picking station for merchandise at the Amazon fulfillment center in Robbinsville, N.J., on Monday. Tariffs mean it can no longer profitably price some of its private-label products below competitors', so it has cut back purchases and orders. PHOTO: SHANNON STAPLETON/REUTERS

By Natasha Khan and Yifan Wang

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HONG KONG—Big American retailers are getting tough with Chinese suppliers as import tariffs bite, cutting orders, negotiating down prices and demanding faster turnarounds.

Walmart Inc. [WMT +2.34% ▲](#) and Home Depot Inc. [HD 2.00% ▲](#) have pulled some planned purchases forward to get ahead of any potential increases or expansion of tariffs, according to a Walmart spokesperson and the transcript of an earnings call from Home Depot. Amazon.com Inc. [AMZN 4.32% ▲](#) cut back purchases and orders for certain of its private-label products where the tariffs make it no longer profitable to offer those goods to customers at sub-competitor prices, according to a person familiar with the matter. The person declined to comment on specific product lines, but added that Amazon sources a bulk of its consumer electronics from China.

Dollar Tree Inc. [DLTR 1.88% ▲](#) said in an emailed statement it has negotiated price concessions from vendors, canceled orders and changed its product mix. Target Corp. [TGT -0.15% ▼](#) said in an emailed statement it has “many levers” it can pull to remain price competitive, without elaborating.

In China, manufacturers of handbags, lighting, footwear and other products say they are feeling the strain. Many are trying to find new customers outside the U.S. and some have resorted to offering discounts in a bid to halt a slide in orders.

The U.S. imported \$1.4 billion worth of handbags and \$14.7 billion worth of footwear from China in 2017, while imports of lighting equipments reached \$711 million, according to figures from the United Nations Comtrade Database.

Both sides are hoping that trade talks between Presidents Donald Trump and Xi Jinping at the G-20 summit this week in Buenos Aires will reduce trade tensions and stave off a more damaging round of duties.

The latest levies at 10% on \$200 billion in Chinese goods took effect on Sept. 24 and are slated to rise to 25% at the beginning of next year. Mr. Trump has threatened to expand the list to more than \$250 billion worth of new products, covering almost all other goods imported from China.

In an interview with The Wall Street Journal, this week President Trump said he



Shoppers emerging from a Bentonville, Ark., Walmart Thursday with a TV from China's Hisense. PHOTO: GUNNAR RATHJUN/ASSOCIATED PRESS

expects to move ahead with boosting tariff levels on \$200 billion of Chinese goods to 25%, calling it “highly unlikely” that he would accept Beijing’s request to hold off on the increase.

Walmart, the world’s biggest retailer, said in an emailed answer to questions before that interview that it hopes the meeting will “produce a constructive framework to resolve the trade tensions.”

U.S. companies have stressed to investors efforts they are making to mitigate the impact of tariffs on their margins, including by passing cost increases along to customers where they can’t win concessions from suppliers. Retailers in particular say that, while the tariffs so far haven’t had a huge impact on their operations, that could change if they get steeper or are applied to more products.



Dollar Tree said it has negotiated price concessions from vendors, canceled orders and changed its product mix. PHOTO: LUKE SHARRETT/BLOOMBERG NEWS

While last month’s export data from China showed an increase, manufacturers have said that is partly due to buyers “frontloading” orders to move batches to the U.S. before January’s expected tariff increase.

Dozens of these Chinese manufacturers interviewed by The Wall Street Journal report dampened sales. Sunshine Leisure Products, a maker of camping chairs in the eastern province of Zhejiang, said orders are down about 30% even as it lowered prices by up to 7%. A supplier of LED decoration lights in the eastern province of Shandong said orders for next year—typically settled by November—were still in abeyance, as American customers ask it to bear the 10% tariff. In the southern city of Shenzhen, a sales manager for Homegard International, which produces tables, chairs and sofas, said orders have fallen by half.

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Extended haggling over orders is throwing supply-chain negotiations into disarray. Typically, in the final quarter of the year merchants begin discussions about new products, models and orders for the next

year. But many say that hasn’t happened.

Order negotiations have dragged on, says Andy Li, sales manager for a company in the southern province of Fujian that supplies backpacks and other assorted textile gifts for companies such as Walmart. Usually order negotiations take about two weeks, but it has been at least a month with no resolution with some customers, Mr. Li said, declining to identify them.

Taizhou Shilin Shoes, based in the eastern province of Zhejiang, says its two American customers have told it they need to order from factories that manufacture lower-priced shoes made with inferior materials to reconcile prices.

At a recent trade fair in Guangzhou, exhibitors reported fewer American buyers. That is spurring Chinese suppliers to look for other sources of revenue, they said, such as more aggressively targeting European buyers.



Home Depot said it has pulled some planned purchases forward to get a head of any potential increases or expansion of tariffs. PHOTO: KEN BLEVINS/THE STAR-NEWS/ASSOCIATED PRESS

The impact has extended to products not yet on the tariff list, such as toys, for fears that they will be hit if trade relations worsen. One toy maker says buyers are seeking to get orders ready for shipping in much shorter time than the customary six-to-eight-week turnaround period.

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If levies do expand to toys—and 82% of toys sold in the U.S. are imported from China, according to the U.S. Department of Commerce—buyers may have to pay more for them, said John Tong, honorary president of Hong Kong Toys Council. “In the short term, there’s no other country that can achieve a comparable capacity,” he said.

Hasbro said in a statement that prolonged trade tensions will be “damaging to our industry and our company.”

Home Depot anticipates price rises if additional 25% tariffs go in place as planned, adding in a conference call with analysts that it saw increases in washing-machine prices when tariffs hit earlier in the year.

Walmart’s merchants are combing through a list of each item affected by tariffs, working with suppliers to bring costs down, Walmart Chief Financial Officer Brett Biggs said in an interview.

“If we get tariffs as discussed in January prices are going to go up,” according to Mr. Biggs.

—Sarah Nassauer in New York and Yasufumi Saito in Hong Kong contributed to this article.

Write to Natasha Khan at natasha.khan@wsj.com

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